

Date 9/18/81

Surname [redacted]

6 AUG 1981

DO
EIN [redacted]

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(9) of the Internal Revenue Code of 1954.

The information discloses that you were formed for the purpose of providing unemployment benefits to members who have been suspended or discharged from duty by [redacted] while employed at [redacted]. Each member pays dues of \$[redacted] a month. Such members are entitled to receive \$[redacted] a day for a maximum of four weeks, on a weekly basis of five working days. At the time of retirement, a member is entitled to draw in one lump sum or payment all the money he or she paid in dues. Any payment received by a member for any period of suspension or discharge is to be deducted from this retirement payment. Also, any member who accepts promotion within the [redacted] Company may, if he or she desires, withdraw all money paid to you in dues with a deduction for any payments awarded for periods of suspension or discharge.

Section 501(c)(9) of the Code provides for the exemption from federal income tax of voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any shareholder or individual.

Section 1.501(c)(9)-3(a) of the Income Tax Regulations provides, in pertinent part, that a voluntary employees' beneficiary association is not operated for the purpose of providing life, sick, accident, or other benefits unless substantially all of its operations are in furtherance of the provision of such benefits. Furthermore, an organization is not described in section 501(c)(9) if its systematically and knowingly provides benefits (of more than a de minimus amount) that are not permitted by paragraphs (b), (c), (d), or (e) of this section.

Section 1.501(c)(9)-3(d) of the regulations states that the term "other benefits" includes only benefits that are similar to life, sick, or accident benefits. It continues by stating that a benefit is similar to a life, sick, or accident benefit if -

- (1) It is intended to safeguard or improve the health of a member or a member's dependent, or
- (2) It protects against a contingency that interrupts or impairs a member's earning power.

Section 1.501(c)(9)-3(e) of the regulations provides, in pertinent part, that severance benefits (under a severance payment plan within the meaning of 29 CFR, Section 2510.3-2 (b)) are considered to be other benefits. Under that section, an arrangement is not deemed to constitute an employee pension benefit plan or pension plan solely by reason of the payment of severance benefits on account of the termination of an employee's service provided that such payments are not contingent, directly or indirectly, upon the employee's retirement; the total amount of such payment does not exceed the equivalent of twice the employee's annual compensation during the year immediately preceding the termination of his service; and all such payments to any employee are completed.

Section 1.501(c)(9)-3(f) of the regulations states, in pertinent part, states that benefits that are not described in paragraph (d) or (e) are not other benefits. It continues by stating that the provision of savings facilities for members or any benefit that is similar to a pension or amounts payable at the time of mandatory or voluntary retirement are not other benefits.

On the basis of the information submitted, we have determined that the payments to members who retire or to those who accept promotion within the [redacted] Company are not other benefits within the meaning of section 501(c)(9) of the Code.

Accordingly, we conclude that your Association does not qualify for recognition of exemption from federal income tax under section 501(c)(9) of the Code. You are, therefore, required to file federal income tax returns.

[REDACTED]

You have a right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views with a full explanation of your reasoning. This statement, signed by one of your principal officers, must be submitted within 21 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request a conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your principal officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Procedures.

If we do not hear from you within 21 days, this ruling will become final and copies of it will be forwarded to the District Director, Atlanta, Georgia. Thereafter, any questions about your federal income tax status or the filing of federal tax returns should be addressed to his office.

When sending additional letters with respect to this case to us, you will expedite their receipt by using the following address:

Internal Revenue Service
Attn: [REDACTED]
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

[REDACTED]
[REDACTED]
Chief, Rulings Section 1
Exempt Organizations
Technical Branch

cc: [REDACTED]
Attn: EO Group